

**SUPPLEMENT B
DEPARTMENT OF BUDGET AND MANAGEMENT
ACTION AGENDA**

SERVICES CONTRACT**ITEM:** 1-S

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DEPARTMENT/PROGRAM:

Budget and Management (DBM)
Office of Personnel Services and Benefits
(OPSB)
Employee Benefits Division

CONTRACT ID:

F10B0400010;
Audit Services for State Employees and Retiree
Benefits Program
ADPICS Nos: Category 1: F10B1400003;
Category 2: F10B1400008;
Category 3: F10B1400004;
Category 4: F10B1400005;
Category 5: F10B1400007

CONTRACT DESCRIPTION:

Complete annual audits of the claims adjudication and payment functions, clinical functions and administrative performance of five plan categories, noted below, in the State Employee/Retiree Health and Benefits Program. (See Requesting Agency Remarks below).

AWARDS:

Category 1 (Medical), Category 3 (Mental Health)
& Category 4 (Pharmaceutical):
Thomson Reuters (Healthcare) Inc.
Ann Arbor, MI

Category 2 (Dental):
The Segal Company (Eastern States), Inc.
Washington, DC

Category 5 (Flexible Spending):
Claim Technologies Incorporated
Des Moines, IA

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TERM: 4/1/2011 – 3/31/2016

AMOUNT: \$1,992,044 (Category 1)
\$ 100,000 NTE (Optional services – Cat. 1)
\$ 118,640 (Category 2)
\$ 258,828 (Category 3)
\$ 401,117 (Category 4)
\$ 187,236 (Category 5)
\$3,057,865 Total (5 Years)

PROCUREMENT METHOD: Competitive Sealed Proposals

BIDS OR PROPOSALS: See Attachment

MBE PARTICIPATION: Category 1, Medical Health Plans: 20%
Category 2, Dental Health Plans: 50% *
Category 3, Mental Health/Substance Abuse Plans:
15%
Category 4, Prescription Drug Plans: 15%
Category 5, Flexible Spending Plans: 20.79% *
* (See Requesting Agency Remarks below)

PERFORMANCE SECURITY: None

INCUMBENT: Healthcare Data Management, Inc. (HDM)
(now Thomson Reuters (Healthcare) Inc.)
King of Prussia, PA

REQUESTING AGENCY REMARKS: The Maryland State Employees and Retirees Benefits Program is responsible for administering health care and other related benefits programs for State employees and retirees, satellite agencies, Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation of coverage participants and contractual employees. Included are plans for Medical, Dental, Prescription Drugs, Mental Health and Flexible Spending Accounts.

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Standardized deductible and co-pay arrangements are in effect for these plans. Total benefits cost for FY 2010 is expected to be approximately \$1.2 Billion. This contract provides for audit services of the State's Employee and Retiree Health Program from a clinical, administrative and operational perspective.

The State of Maryland has a contract for the audit services of the State Employee and Retiree Benefits Program that provides audits of the five program categories. Each Third Party Administrator (TPA) is subject to one yearly audit. The purpose of the audit is to:

- Ensure that the State receives the benefit of the contractual pricing arrangements with all TPA contractors.
- Ensure TPA contractor accountability for compliance with contractual requirements, including performance guarantees.
- Verify appropriate administrative procedures and control measures are in place.
- Confirm the accuracy of benefit payments to providers.
- Improve quality of service through the review of clinical processes.
- Ensure that State funds in connection with the program are used correctly.

The RFP provided for multiple contract awards; one for each category. Selections are recommended as follows:

- For Category 1, Medical Benefits audits, Thomson Reuters (Healthcare) Inc. was ranked overall #1 and is recommended to receive the contract award for this category. In addition to the fixed audit fee for category 1, a not to exceed amount of \$100,000 is requested for optional consulting services. Thomson Reuters (Healthcare) Inc. was ranked third financially and third technically; however, the #1 ranked technical offeror was ranked #5 financially with a \$176,749 or a 9% difference in price. The #2 technical offeror was ranked #4 financially with a \$165,582 or 8% difference in price. The technically higher ranking of these two offerors did not justify the higher prices. In addition, the two lower priced offerors were ranked #5 and #4 technically. The \$178,208 or almost 9% difference in price from the lowest price offeror did not off-set the technical differences of this fifth ranked technical offer or the \$12,809 difference in price of the fourth ranked technical offeror.

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- For Category 2, Dental Benefits audits, The Segal Company (Segal) was ranked first financially and second technically and is recommended to receive the contract award for this category. Segal was \$161,108 lower in price than the first technically ranked offer that was third ranked financially. The technical differences between the #1 offeror and the #2 offeror, Segal, were not significant enough to justify the difference in price.
- For Category 3, Mental Health Benefits audits, Thomson Reuters (Healthcare) Inc. was ranked first financially and third technically and is recommended to receive the contract award for this category. Thomson Reuters (Healthcare) Inc. was \$93,768 or 36% lower in price than the #1 technically ranked offeror and \$36,283 or 14% lower in price than the #2 ranked technical offeror. The technical differences were not significant enough to justify the difference in price.
- For Category 4, Pharmaceutical Benefits audits, Thomson Reuters (Healthcare) Inc. was ranked second financially and third technically and is recommended to receive the contract award for this category. Thomson Reuters (Healthcare) Inc. was \$114,911 or 28% lower in price than the #1 ranked technical offeror and was \$91,378 or 22% lower in price than the #2 ranked technical offeror. The technical differences between these offerors did not offset the differences in price. In addition, the slight difference in price of the lowest priced offeror (only \$9,022 or 2%) could not justify the technical differences between Thomson Reuters (Healthcare) Inc. and this offeror, which was ranked #5 technically.
- For Category 5, Flexible Spending Account Benefits audits, Claim Technologies Incorporated was ranked first financially and first technically and is recommended to receive the contract award for this category with an overall #1 ranking.

The MBE goals were determined based on a combination of researching opportunity for subcontracting and historical performance meeting MBE goals under the previous contract. Category 2 was exceeded by 35% and Category 5 was exceeded by 5.79%. The MBE goal for these two categories was 15%.

REVISED

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BPW 12/15/2010

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FUND SOURCE: 100% Reimbursable

APPROP. CODE: F10A0404

RESIDENT BUSINESS: No for all

MD TAX CLEARANCES: 10-5791-1111 (Thomson Reuters)
10-5792-0000 (Claims Technologies Inc.)
10-5790-0011 (The Segal Company)

Board of Public Works Action - The above referenced Item was:

APPROVED

DISAPPROVED

DEFERRED

WITHDRAWN

WITH DISCUSSION

WITHOUT DISCUSSION